

Message Text

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ACTION EA-14

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XMB-07 IGA-02 AID-20 STR-08 CEA-02 RSR-01 /173 W

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FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 7467

USLO PEKING

INFO AMEMBASSY BONN

AMEMBASSY GENEVA

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY PARIS

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

UNCLAS HONG KONG 6726

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SUBJECT: CHASE MANHATTAN ANNOUNCES CORRESPONDENT RELATIONSHIP WITH BANK OF CHINA

SUMMARY: BANK OF CHINA AND CHASE MANHATTAN HAVE AGREED TO ESTABLISH CORRESPONDENT BANK RELATIONSHIP--THE FIRST FOR A US BANK IN A QUARTER-CENTURY. INITIALLY LIMITED TO FOREIGN REMITTANCES AND TRAVELERS' LETTERS OF CREDIT, IT SHOULD GROW, SAID ROCKEFELLER, INTO A "COMPLETE BANKING RELATIONSHIP" ONCE BLOCKED ASSETS QUESTION IS SETTLED, WHICH HE EXPECTED SOON. END SUMMARY.

1. IN PREPARED STATEMENT AT A JULY 4 PRESS CONFERENCE,

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CHASE MANHATTAN'S DAVID ROCKEFELLER ANNOUNCED: QUOTE
DURING VISITS WITH THE BANK OF CHINA, WE WERE INVITED TO

BECOME THE U.S. CORRESPONDENT OF THE BANK OF CHINA. THIS WILL BE THE FIRST BANKING RELATIONSHIP BETWEEN A U.S. BANK AND THE BANK OF CHINA IN 24 YEARS. TO BEGIN WITH AND UNTIL THE BLOCKED ACCOUNTS QUESTION HAS BEEN SETTLED, WE WILL HANDLE FOREIGN REMITTANCES AND TRAVELLERS' LETTERS OF CREDIT. AS SOON AS THE GOVERNMENTS OF THE PEOPLE'S REPUBLIC OF CHINA AND THE UNITED STATES HAVE REACHED AN AGREEMENT ON THE QUESTION OF BLOCKED ACCOUNTS, A COMPLETE BANKING RELATIONSHIP WILL BE FORMALIZED. REPRESENTATIVES OF THE CHASE MANHATTAN BANK HAVE BEEN INVITED TO VISIT THE PEOPLE'S REPUBLIC OF CHINA AS REQUIRED IN CONNECTION WITH THE NEW RELATIONSHIP. UNQUOTE

2. IN DELIVERING THE STATEMENT, ROCKEFELLER MADE TWO MINOR BUT INTERESTING CHANGES. HE SAID THAT TO BEGIN WITH THE "PRIMARY" RELATIONS WILL BE REMITTANCES AND TRAVELERS' L/C'S, SUGGESTING THAT SOME ADDITIONAL RELATIONS ARE POSSIBLE, TOO. IN SAYING THAT CHASE AND BOC WOULD HAVE A "FULL RANGE" OF BANKING RELATIONS AFTER THE BLOCKED ACCOUNTS QUESTION HAS BEEN SETTLED, HE SAID HE "EXPECTED IT TO BE RESOLVED SOON." LATER, HE SAID HE EXPECTED CHASE AND BOC WOULD THEN DEVELOP "MORE NORMAL AND COMPLETE RELATIONS."

3. IN RESPONSES TO SEVERAL QUESTIONS ABOUT THE BLOCKED ACCOUNTS MATTER, ROCKEFELLER SAID (1) IT WAS CURRENTLY BEING DISCUSSED BETWEEN THE TWO GOVERNMENTS; (2) BOTH ARE OPEN-MINDED AND HAVE A DESIRE FOR POSITIVE RESULTS; AND (3) ON BOTH SIDES THERE IS AN EXPECTATION THAT IT WOULD BE RESOLVED "IN A MATTER OF WEEKS." HE NOTED, HOWEVER, THAT THIS WAS MATTER BETWEEN GOVERNMENT AND THAT HE HAD NOT DISCUSSED THE DETAILS OF IT WITH THE CHINESE.

4. QUESTIONED ABOUT TRADE, ROCKEFELLER SAID BOTH SIDES ARE ANXIOUS TO EXPAND US-PRC TRADE AND THE CHINESE WANT TO INCREASE EXPORTS TO THE US. HE MENTIONED THE BLOCKED ASSETS AND MFN AS OBSTACLES TO INCREASED TRADE, WHICH HE THOUGHT WOULD NOT, IN ANY CASE, BECOME VERY LARGE IN THE NEAR FUTURE. IN RESPONSE TO SOME VERY POINTED QUESTIONS, ROCKEFELLER STATED HE PERSONALLY SUPPORTED, AND WOULD PRESS THE USG TO GRANT, MFN TREATMENT FOR THE PRC AND SAID THE
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NATIONAL COUNCIL FOR US-CHINA TRADE WOULD, TOO, ALTHOUGH HE NOTED THAT THE MATTER HAD NOT BEEN FORMALLY DISCUSSED OR VOTED UPON BY THE COUNCIL YET.

5. CHASE AND BOC WOULD NOT OPEN RMB/DOLLAR DEPOSITS ACCOUNTS IN THE OTHER BANK "AS THAT IS NOT THE WAY A CORRESPONDENT RELATION WORKS." BUT AFTER THE BLOCKED ACCOUNTS QUESTION IS RESOLVED, US-PRC TRADE WOULD BE SETTLED IN DOLLARS AND THAT SHOULD GIVE US BANKS OPPORTUNITIES FOR A LARGER SHARE OF THE BUSINESS.

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